

FDIC State Profile

Spring 2004

North Dakota

The 2001 national recession had only a marginal impact upon the North Dakota economy.

- North Dakota's economy gained jobs in the fourth quarter of 2003, as the state was less severely affected by the downturn that touched most other states (See Chart 1).
- In 2003, job losses in the manufacturing sector were more than offset by gains in the retail trade, finance, insurance and real estate, and government sectors.
- Unemployment declined to 3.3 percent in the fourth quarter 2003 from 3.7 percent in the previous quarter, and one of lowest jobless rates in the United States..

Bankruptcy filings increased in 2003 for North Dakota.

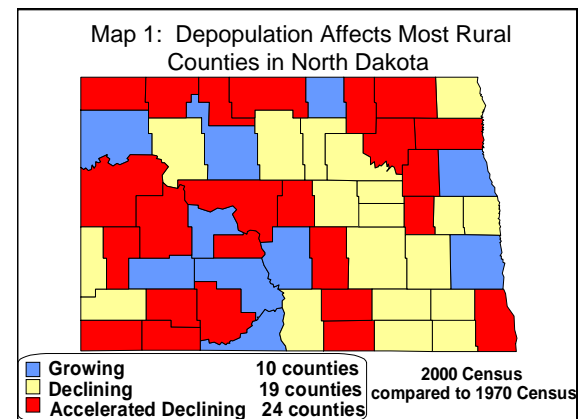
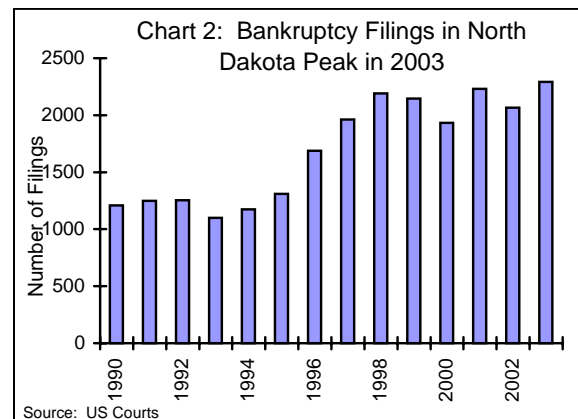
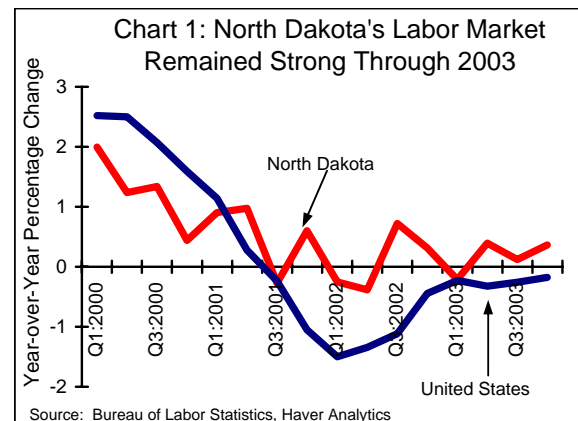
- Bankruptcy filings increased in 2003 after declining in 2002 (See Chart 2).
- First time filings increased 11 percent, the largest single year gain since 2001.

Depopulation in rural areas is a continuing challenge.

- Population declined in forty-three of North Dakota's 53 counties since 1970; population in 24 of those counties declined at an increasing rate during the 1990s (See Map 1).
- Technological changes and consolidation in the agricultural sector have reduced the demand for farm labor, and farmers have become less dependent on nearby small towns to purchase inputs and professional services.
- As a result, people have migrated from rural to metropolitan areas seeking better employment opportunities.
- Counties that are losing population more rapidly could lose economic viability, as shrinking tax rolls may make essential infrastructure, such as utilities and school systems, difficult to maintain.

North Dakota Continues to Experience Declining Core Funding

- Community institutions' core funding erosion continues, accelerating somewhat in 2003 (See Chart 3).



State Profile

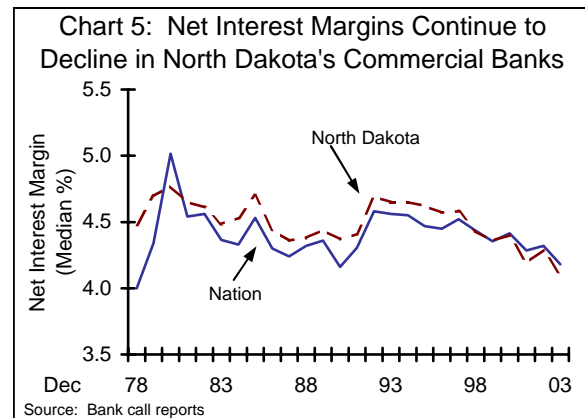
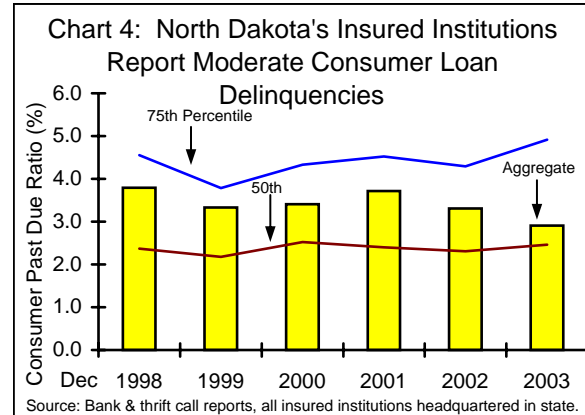
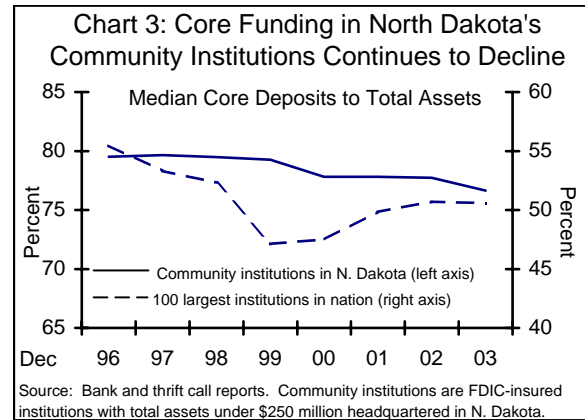
- North Dakota's community institutions apparently did not benefit as much from the influx of funds into the nation's banking system from investors seeking shelter from a weak economy and falling stock market.
- Rural North Dakota's growing elderly population and net out-migration will continue to pressure core funding in the long-term. As elderly depositors pass away, their deposits often follow their heirs who typically have migrated from rural areas to metropolitan areas.

North Dakota's Insured Institutions' See Continuing Increases in Consumer Loan Portfolio Delinquencies

- The economic recession has hit North Dakotan workers fairly hard. As chart 4 shows, personal bankruptcies are at a record pace. The stress has negatively impacted consumer loan portfolios as well (See Chart 4).
- Although the typical North Dakota institution (50th percentile) reports low and stable consumer loan delinquencies, institutions with relatively higher consumer loan delinquencies (75th percentile) continue to see their delinquencies increase.
- Although delinquencies are increasing at the upper-end of the scale, net charge-off rates remain low and generally have trended stable to down ward over the past three years.

North Dakota's Net Interest Margins Remain Under Negative Pressures

- North Dakota's median year-end 2003 net interest margin (NIM) is 4.10 percent, its lowest point in the last 25 years and a full quarter-point below the previous low in 1988. (See Chart 5). A reversal in the decline of NIM does not appear imminent..
- Structural changes and increased competition in banking and related industries continue to squeeze insured institutions' NIMs.
- A healthy NIM is much more important to the typical North Dakota institution, where NIM represents 88 percent of total revenue, than in the nation's largest institutions. NIM represents just 63 percent of total revenues at the nation's 100 largest institutions



North Dakota at a Glance

General Information	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Institutions (#)	104	107	107	113	117
Total Assets (in thousands)	20,761,796	19,539,474	19,654,168	18,515,585	12,483,377
New Institutions (# < 3 years)	0	1	1	1	1
New Institutions (# < 9 years)	2	2	3	3	2
Capital	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Tier 1 Leverage (median)	9.16	9.34	9.16	9.50	9.48
Asset Quality	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Past-Due and Nonaccrual (median %)	1.75%	2.29%	2.29%	2.46%	2.12%
Past-Due and Nonaccrual >= 5%	15	10	16	14	17
ALLL/Total Loans (median %)	1.57%	1.62%	1.66%	1.72%	1.72%
ALLL/Noncurrent Loans (median multiple)	2.17	1.69	2.05	2.08	1.96
Net Loan Losses/Loans (aggregate)	0.57%	0.60%	0.91%	0.86%	0.81%
Earnings	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Unprofitable Institutions (#)	0	0	4	5	
Percent Unprofitable	0.00%	0.00%	0.00%	3.54%	4.27%
Return on Assets (median %)	1.13	1.08	1.04	1.11	1.08
25th Percentile	0.82	0.87	0.86	0.87	0.88
Net Interest Margin (median %)	4.17%	4.32%	4.28%	4.41%	4.32%
Yield on Earning Assets (median)	5.94%	6.71%	7.87%	8.32%	7.88%
Cost of Funding Earning Assets (median)	1.72%	2.37%	3.68%	3.94%	3.62%
Provisions to Avg. Assets (median)	0.13%	0.16%	0.13%	0.14%	0.13%
Noninterest Income to Avg. Assets (median)	0.53%	0.50%	0.50%	0.46%	0.48%
Overhead to Avg. Assets (median)	2.87%	2.88%	2.87%	2.84%	2.77%
Liquidity/Sensitivity	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Loans to Deposits (median %)	74.17%	74.27%	71.72%	70.57%	66.78%
Loans to Assets (median %)	62.82%	62.47%	61.23%	60.06%	57.76%
Brokered Deposits (# of Institutions)	20	21	17	18	20
Bro. Deps./Assets (median for above inst.)	1.81%	1.79%	1.06%	2.83%	2.70%
Noncore Funding to Assets (median)	12.04%	12.12%	11.17%	11.40%	10.20%
Core Funding to Assets (median)	75.79%	75.91%	77.01%	76.77%	78.92%
Bank Class	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
State Nonmember	82	85	85	90	93
National	14	15	15	16	18
State Member	5	4	4	4	3
S&L	0	0	0	0	0
Savings Bank	3	3	3	3	3
Stock and Mutual SB	0	0	0	0	0
MSA Distribution	# of Inst.	Assets	% Inst.	% Assets	
No MSA	84	6,258,074	80.77%	30.14%	
Fargo-Moorhead ND-MN	12	12,424,683	11.54%	59.84%	
Bismarck ND	6	950,352	5.77%	4.58%	
Grand Forks ND-MN	2	1,128,687	1.92%	5.44%	